



February 15, 2023

Budget and Taxation Committee  
3 West, Miller Senate Office Building  
Annapolis, MD 21401

## Re: Letter of Information – Senate Bill 267 - Internet Gaming - Authorization and Implementation

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee:

The Maryland Lottery and Gaming Control Agency (“MLGCA” or “Agency”) submits this letter of information to the Budget and Taxation Committee (“Committee”), as background information regarding House Bill 267 – Internet Gaming - Authorization and Implementation.

Internet gaming (also known as “iGaming”) is wagering on virtual slot machines and other casino games. It is permitted in 7 states: CT, DE, MI, NV, NJ, PA, WV. Tax rates vary widely by jurisdiction.

	Slots	Tables	Poker	Multi-Jurisdiction Poker
CT	18%	18%		
DE	57%	20%		Yes
MI	20% - 28%	20% - 28%		Yes
NV	3.5% - 6.75%	3.5% - 6.75%		Yes
NJ	17.5%	17.5%	17.5%	Yes
PA	54%	16%	16%	
WV	15%	15%		

Source: AGA State of the States 2022

SB 267 would permit both iGaming and multi-jurisdictional poker in Maryland after passage of a constitutional referendum. All proceeds would be taxed at 15% and the Maryland Lottery and Gaming Control Commission (“MLGCC” or “Commission”) would be required to regulate iGaming to the same extent it regulates casino gaming and sports wagering.

There are several things in the proposed legislation that should be clarified or changed in order to streamline the implementation by MLGCC:

- Proceeds is defined specifically for slots and table games. The definition does not apply to multi-jurisdictional poker because the operators only collect a fee, known as a rake, for hosting the games.
- There should be limits on the amount of free and promotional play that can be deducted from the calculation of proceeds.

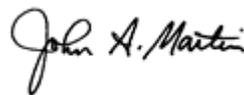
- .03(D)(1) authorizes the Agency to withhold the cost of issuing and renewing licenses from transfers to the Education Trust Fund. The Agency typically charges applicants for our investigative work, and the Agency believes that this practice should apply to iGaming. These charges are in addition to license fees described in the proposed legislation.
- There is no funding for the Agency to regulate these operations. Additional costs are likely, especially audit staff.
- .06(A)(2)(I) limits wagering after deposit limits are reached. The Agency submits that this provision should only limit additional deposits, with wagers dealt with separately.
- .07(A) has the MLGCC imposing penalties for unauthorized iGaming wagers or tampering. These should be criminal acts that may be reported by the MLGCC, or other parties, to law enforcement for action. If an outside entity tampers with software or equipment, that should also be a criminal matter. The MLGCC should only be responsible for penalties assessed against its licensees.
- .08(1) requires the MLGCC to annually report on the impact of internet gaming on problem gamblers and gambling addiction. The Agency has limited skills and resources to prepare such a report. We believe the report should be prepared by the Center of Excellence on Problem Gambling.

The proposed legislation permits only casinos to operate iGaming. MLGCC believes this is appropriate, as other potential operators do not have industry experience in this market and expanding to too many operators can dilute the business, making it difficult to be profitable.

Finally, the introduction of iGaming could have a significant impact on Lottery earnings since the Lottery is currently prohibited from allowing any of its games to be purchased on the internet. There is no constitutional prohibition for the Agency to implement iLottery, so the Maryland General Assembly could statutorily authorize the Agency to implement iLottery by passing enabling legislation, if its eventual intent is to allow both iLottery and iGaming. The Agency suggests passing legislation authorizing iLottery during a legislative session before iGaming is authorized, so that the Agency can implement iLottery prior to a launch of iGaming. Proceeding in this fashion will help protect funding for the Lottery's designated beneficiaries and various accounts.

Thank you for your consideration of this information, as the Agency takes no position on this proposed bill. If you should have any questions or need more information about this subject, please do not hesitate to contact Sean Ford, MLGCA's Director of Legislation and Policy Development, at 410-230-8988 or [sean.ford@maryland.gov](mailto:sean.ford@maryland.gov).

Sincerely,



John A. Martin  
Director

cc: All Committee Members  
Senators Watson and King